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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 06/14/06

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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, June 13

NIHON KEIZAI (Page 2) (Full)

June 14, 2006

09:02

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Attended cabinet meeting in the Diet building.

09:25

Arrived at Kantei.

11:01

Responded to interview for the cabinet's email magazine.

16:03

Met Upper House member Seiko Hashimoto.

17:33

Attended monthly-economic-report-connected cabinet ministers' meeting.

18:52

Had haircut at the barber in Capital Tokyu Hotel.

19:46

Returned to his official residence.

4) LDP bill eyes overseas security missions for SDF

MAINICHI (Page 1) (Abridged)

June 14, 2006

The ruling Liberal Democratic Party has worked out its draft of a bill to create a permanent law stipulating requirements for Japan to dispatch Self-Defense Forces personnel overseas for their engagement in international peace cooperation activities. The LDP-drafted bill, revealed yesterday, allows SDF personnel to operate only in areas where there is no armed conflict. In addition, the bill eases Japan's current legal guidelines for SDF personnel's use of weapons-or the rules of engagement (ROE)-and authorizes them to engage in public security and escort missions. The bill does not require a United Nations resolution for Japan's overseas dispatch of SDF personnel, and it allows the government to send SDF troops overseas at its own judgment. However, the bill requires the government to ask for Diet approval. The bill is expected to be reported to an LDP defense policy subcommittee in its meeting today. The government and ruling parties will now restart their stagnated discussions on the permanent legislation.

SDF members on overseas assignments are currently authorized to use weapons in self-defense or emergency evacuation only. The LDP-drafted bill, however, allows SDF personnel to use weapons on their overseas missions in compliance with the internationally recognized rules of engagement (ROE). In addition, the LDP bill also allows the SDF to engage its personnel in public security operations, escort services, and armed rescue activities.

5) LDP legislation allows SDF dispatches without UN resolution

ASAHI (Page 4) (Full)

June 14, 2006

The ruling Liberal Democratic Party has revealed its draft of a bill to establish a permanent law, instead of an ad hoc special measures law, for Japan to send Self-Defense Forces personnel

overseas. The LDP-drafted bill allows Japan to participate in multinational forces without a United Nations resolution or an international organization's request. The bill will be presented in today's meeting of an LDP defense policy subcommittee chaired by former Defense Agency Director General Shigeru Ishiba.

Japan's overseas dispatch of SDF troops is currently allowed under the Law for Cooperation on United Nations Peacekeeping Operations, the so-called PKO Cooperation Law. In addition, there

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is a time-limited law for special measures against terrorism and another temporary special measures law for Japan's assistance with Iraq's reconstruction. All these laws require a UN resolution or an international organization's request for Japan to dispatch SDF troops.

The LDP-drafted bill, however, allows Japan to dispatch SDF troops overseas if there is a request based on an agreement between the parties to a dispute or even in the case of "a situation where Japan's contribution to the international society's efforts is recognized to be necessary in particular."

In addition, the LDP bill allows SDF personnel to engage in public security operations and VIP escort services overseas. The bill also gives expanded authority to SDF personnel to use weapons to protect facilities and supplies.

The LDP bill further requires the government to obtain parliamentary approval before sending SDF troops overseas. However, Japan under its postwar Constitution is prohibited from using armed force overseas. In the event Japan is allowed to dispatch troops overseas under a permanent law, its constitutionality would be called into question. The LDP is expected to face some difficulties in its discussions.

6) Yokosuka mayor to approve nuclear carrier deployment

YOMIURI (Page 2) (Full)
June 14, 2006

The city of Yokosuka, Kanagawa Prefecture, will hold a plenary meeting of its municipal assembly today to discuss the US Navy's planned deployment of a nuclear-powered aircraft carrier to its Yokosuka base. In the session, the city's mayor, Ryoichi Kabaya, will clarify his approval to dredge the port of Yokosuka for a US nuclear-powered aircraft carrier. This means the mayor's de facto acceptance of a nuclear-powered warship's deployment to Yokosuka. The mayor will shortly respond to consultations with the government on the dredging work.

The Japanese and US governments have agreed to replace the USS Kitty Hawk, a Yokosuka-based conventional aircraft carrier, with the USS George Washington, a nuclear-powered flattop.

However, Yokosuka port is not deep enough at its present aircraft carrier berth to moor the George Washington. It is therefore necessary to dig down about two meters there. The mayor is in charge of Yokosuka port, so the Defense Facilities Administration Agency needs the mayor's permission to start the work. On June 12, Foreign Minister Aso called at the city's municipal government office and asked for the mayor's cooperation.

7) Japan, ROK fail to fill gap in EEZ talks; Next round of talks set to occur in Seoul in September

YOMIURI (Page 2) (Excerpts)
June 14, 2006

The Japanese and South Korean governments yesterday wound up two days of talks held in Japan's Ministry of Foreign Affairs (MOFA) on demarcation of the boundaries of their respective exclusive economic zones (EEZ). In the talks, both sides went no further

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than to exchange their stock principles, both asserting that Takeshima/Dokdo should be used as the base point of their respective EEZ. They agreed to continue the talks and meet again in Seoul in September.

In the talks, MOFA International Legal Affairs Bureau Director-General Ichiro Komatsu insisted: "Our assertion is the same as before, namely, that an equidistant line should be drawn between Takeshima and Ullungdo with Takeshima as the base point."

On the other hand, South Korea's chief negotiator, Park Hee Kwon, director-general of the Treaties Bureau of the South Korean Foreign Ministry counterargued: "We have to assert that our base point should be Dokdo."

At the outset of the negotiations, both sides clashed with each other over the question of what the base point of their respective EEZ would be. Park criticized Japan for its plan to conduct a maritime survey in waters around Takeshima in April, stressing that this sort of behavior has led to his country's assertion that Dokdo should be used as the base point of his country's EEZ.

The South Korean delegation apparently gave the highest priority to "clearly conveying to Japan that South Korea has sovereignty over Dokdo," according to a source familiar with Japan-ROK negotiations. Behind South Korea's this approach lies the South Korean people's growing desire for a hard-line policy toward Japan, since the South Korean public took Japan's plan to conduct a marine survey in April as an unjustified violation of their country's sovereignty.

In the talks, South Korea insisted that the borderline should be drawn between Takeshima and Okinoshima islets, although it previously had used Ullungdo as the base point.

Problem of rock

South Korea previously had asserted that Ullungdo should be used as the base point, viewing Takeshima as protruding rocks. Rocks cannot serve as the base point of EEZ under international law. If South Korea asserted Takeshima as the base point, there is the possibility that South Korea will find it difficult to reject Japan's assertion of using Torishima Island as the base point of its EEZ, because South Korea has previously asserted that Torishima is a rock. A MOFA official explains: "South Korea would lose a much more part of its EEZ and more undersea natural resources by recognizing Torishima as Japan's base point than what South Korea will gain by using Takeshima as its base point."

South Korea seems to have put emphasis on sovereignty over profits in the talks this time, some observers say.

Meanwhile, Japan attached importance to continuing talks and avoiding a conflict. A senior MOFA official said: "We needed to secure an occasion for both sides to discuss the EEZ issue in a cool-headed manner while avoiding a recurrence of a dispute between the two countries like the one in April over a plan for a marine survey in waters around Takeshima."

In the talks, both Japan and South Korea agreed to resume the next round in September. Japan somehow achieved one of the goals.

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From a long-term perspective, Japan is looking into the possibility of EEZ demarcation, and another aim of Japan is that "As long as negotiations continue, the waters around Takeshima are considered to be a disputed area between Japan and South Korea. This would prevent South Korea from creating a fait accompli by illegally occupying Takeshima," a Japanese government official says.

8) ROK refuses to cancel planned ocean survey in EEZ talks, but both Japan, ROK agree to hold next round in September

The 5th Japan-South Korea talks intended to demarcate their exclusive economic zones (EEZ) ended yesterday without narrowing the gaps of views over, for instance, the base points of their respective EEZs in waters around the Takeshima/Dokdo islets. In the talks, Japan asked South Korea to cancel its planned oceanographic survey in July, but South Korea refused to accept Japan's request. The two countries, however, agreed to continue the talks and hold the next round in Seoul in September, but the possibility cannot be ruled out that a similar dispute as seen in April, when Japan planned to conduct an ocean survey in April, will flare up again in coming months.

According to a source involved in the talks, Japan insisted as in the past that the equidistant line should be determined by using Takeshima/Dokdo as Japan's base point and Ullungdo as South Korea's base point. But South Korea, switching from its previous position that its base point should start from Ullungdo, requested that its base point should be Takeshima/Dokdo and that Japan's should be Okinoshima. South Korea said this policy switch came in response to Japan's recent marine survey plan, saying that the fault lies with Japan.

Referring to South Korea's planned ocean survey, Japan called on South Korea to exercise self-restraint, noting, "It's important for both sides to exercise self-restraint." Japan proposed establishing a prior notice system for both sides to inform the other if they plan to conduct a marine survey in waters surrounding Takeshima, but South Korea dismissed these two requests by Japan, saying, "They are not the subjects for EEZ negotiations."

9) Chief cabinet secretary's statement: Providing Indonesia with patrol boats with ODA funds is exception to three principles banning arms exports

The government decided yesterday in a cabinet meeting to provide Indonesia with grant aid for the purchase of three patrol boats. A bulletproof patrol boat corresponds to a "weapon," the export of which is forbidden under Japan's three principles on arms exports. The government has, however, made it an exception, citing the vessels would be used to track down terrorists and pirates. It will be the first time for Japan to use its official development assistance (ODA) to offer "weapons" to another country.

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Chief Cabinet Secretary Shinzo Abe released a statement explaining yesterday's cabinet decision. The statement wrote: 1) The patrol boats will be used only for cracking down on terrorists and pirates; and 2) they will not be sold to a third party without prior approval of the Japanese government. Abe explained in the statement that the basic philosophy of the three basic principles banning arms exports would be secured.

The total cost of the three patrol boats will be 1.921 billion yen. They will be deployed to Indonesia's National Police Headquarters' Maritime Police Bureau and other posts. They will be used to crack down on pirates and terrorists, as well as prevent proliferation of weapons of mass destruction.

10) Tokyo stocks fall by 614 yen; Biggest drop since 9-11 terrorist attacks on US

Following the worldwide fall in stock prices, Tokyo stocks continued to fall yesterday with the Nikkei index and TOPIX, which shows the movements of all stocks listed on the First

Section of the Tokyo Stock Exchange, posting an all-time low. The Nikkei Stock Average recorded the biggest point loss, finishing the day with the biggest point loss of 600 since the 9-11 terrorist attacks in the US. The revelation of Bank of Japan Governor Fukui's investment of 10 million yen in Murakami Fund put a further dent in the market.

The TSE closed with the Nikkei Stock Average dropping to 14,218, down 614.41 points from the day before and TOPIX to 1458.30, down by 52.59 points from the day earlier. The trading volume stood at 1.96 billion stocks.

11) BOJ Governor Fukui apologizes over investment issue;
Government determined not to pursue matter

ASAHI (Page 1) (Full)
June 14, 2006

During a government meeting held yesterday evening that included Prime Minister Koizumi, Bank of Japan (BOJ) Governor Toshihiko Fukui apologized for investing 10 million yen in the Murakami Fund represented by Yoshiaki Murakami. He noted, "I am sorry for all the fuss." The government and the ruling parties do not intend to call Fukui to account for his involvement, taking the position that since his action is not in violation of BOJ regulations, there is no problem with his investment. However, the ruling parties plan to pursue the responsibility of Fukui and the prime minister for his appointing him. There is the possibility of calls for seeking Fukui's resignation mounting.

Commenting on reasons why he invested in the Murakami Fund, Fukui during a monthly meeting of cabinet ministers involved with a monthly economic report held at the Prime Minister's Residential Office (Kantei) yesterday evening explained, "I invested in Murakami Fund along with my colleagues in order to encourage that brave young man."

Fukui later told reporters that he had no comment to make on his moral responsibility and whether he would remain in office or

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resign. According to him, he asked the Murakami Fund to cancel his investment contract this February. The cancellation will likely be made in late June. It is said that he has paid taxes worth more than 100,000 yen a year at the most for investment profits. However, the actual amount of investment profits has not been revealed.

Media organizations have called on the BOJ to hold a press conference by Fukui, but the BOJ turned down the request. The BOJ Public Relations Office issued a comment on Fukui's investment activities, which read: "Governor Fukui's investment action is not in violation of the BOJ internal regulations. It is our understanding that the governor has properly reported income gained through the investment."

Prime Minister Koizumi told reporters at the Kantei: "There is no problem with his action." He then indicated his perception that there is no need for him to step down.

12) BOJ Gov. Fukui under fire

SANKEI (Page 2) (Excerpts)
June 14, 2006

In the wake of Bank of Japan Governor Toshihiko Fukui's revelation that he invested 10 million yen in the Murakami Fund, market players and others have begun pointing out the moral responsibility of the nation's top financial policy officer. Fukui might be asked for a detailed explanation on his decision to invest in the fund and profit from it.

Toin University of Yokohama economic criminal law Professor Nobuo Gohara, a former Tokyo District Public Prosecutors Office prosecutor, took this view:

"What was his view of the fund in investing it? If he had a consistent policy, there was no need for him to get upset with the arrest of (fund manager Yoshiaki Murakami). His excuse tells of his poor perception of the fund. It was a problem that he continued providing money to the fund."

A mid-level bank executive also criticized Fukui:

"Investing in the fund before assuming the BOJ post is understandable to some extent, but he should have withdrawn all the money once he took on the job. As the chief financial officer, it is unthinkable that he didn't know the Murakami Fund's modus operandi until it resorted to arbitrage. He is simply too insensitive."

Opposition camp to demand Fukui's resignation

Fukui's revelation that he invested 10 million yen in the Murakami Fund has sent shockwaves through the political community, with the ongoing Diet session scheduled to end in just a few days. The opposition camp intends to demand Fukui's resignation and pursue Prime Minister Koizumi's responsibility for appointing him.

Minshuto (Democratic Party of Japan) President Ichiro indicated in a press conference that his party would take up the issue in the Diet, saying, "The matter is serious in that it involves the

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Bank of Japan governor, who is the nation's top financial officer." Diet Affairs Committee Chairman Kozo Watanabe also criticized Fukui, noting, "His resignation is inevitable. The government and Prime Minister Koizumi also need to take responsibility."

13) Opposition camp to pursue Koizumi's responsibility for appointing Fukui as BOJ governor in wake of revelation of his investment in Murakami Fund

YOMIURI (Page 4) (Excerpts)
June 14, 2006

Bank of Japan Governor Toshihiko Fukui once invested 10 million yen in the fund run by Yoshiaki Murakami, who has been arrested over alleged insider trading in violation of the Securities and Exchange Law. In this connection, the opposition bloc decided yesterday to pursue Prime Minister Koizumi's responsibility for appointing Fukui to the post and Fukui's moral responsibility.

Minshuto (Democratic Party of Japan) President Ichiro Ozawa told a press conference yesterday: "It is a serious problem that the Bank of Japan president has invested in a fund that is directly under the central bank regulation." Secretary General Yukio Hatoyama also indicated that his party would file a no-confidence motion against the Koizumi cabinet, saying: "It was a mistake in a series of personnel appointments by the prime minister. It speaks of the actual situation of the Koizumi reform drive."

The opposition camp intends to grill Koizumi and Fukui at the Upper House Budget Committee session tomorrow and the Lower House Fiscal and Financial Committee meeting on June 15. The opposition block also plans to urge the ruling camp to summon Fukui as an unsworn witness in an out-of-session meeting even after the ongoing Diet session ends on June 18.

In contrast, many in the government and the ruling coalition are defending Fukui.

14) Four opposition parties unite in opposition to resumption of US beef imports: We oppose giving such "gifts" to the US

ASAHI (Page 4) (Full)
June 14, 2006

The four opposition parties -- Minshuto (Democratic Party of Japan), Japanese Communist Party (JCP), Social Democratic Party

(SDP), and the People's New Party -- yesterday held a meeting near the Diet called the "National Rally to Stop the Hasty Resumption of US Beef Imports." The heads of each party and approximately 600 persons showed up from consumer organizations and other groups to criticize Prime Minister Koizumi for timing the resumption of imports with his trip to the US so he can bring this as a "gift" (to President Bush).

Minshuto President Ichiro Ozawa pointed out, "The US will only have contempt for Japan if we go so far in such obvious obsequiousness." JCP head Shii said: "He has placed loyalty to the US over the lives of the Japanese people." The SDP representative said: "He wants to bring gifts for the Okinawa (US military) bases."

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15) Government to decide on resumption of US beef imports possibly next week

NIHON KEIZAI (Page 5) (Full)
June 14, 2006

The Japanese and US governments are expected, possibly next week, to hold the final phase of talks to determine specific procedures for the resumption of US beef imports and then make a decision on a resumption. Town meetings with consumers were planned for 10 locations across the country, and they will end with the one in Tokyo set for today. Through such meetings, the government has thought that a certain degree of public understanding toward a set of preventive measures against recurrences, including prior inspections of US facilities, on which both Japan and the United States have reached a basic agreement, has been obtained now. US beef is likely to arrive in Japan in late July if things go smoothly.

During the Japan-US meeting in May, Japan gave approval to the US report on reinspections of its facilities handling beef for Japan, noting there will be no safety problem. Both sides then agreed in principle that Japan would directly confirm America's safety control system by, for instance, conducting prior inspections or snap inspections after the resumption of beef imports. The final phase of bilateral talks is set to occur after all town meetings are over.

Through the town meetings, the government has now a good grip on consumers' opinions, as a senior Agricultural Ministry official pointed out, "We've exhausted all ideas regarding the steps that can be taken." The government now thinks that it has come to the stage of stepping up inspections of US plants and the quarantine system at home.

16) LDP group complies set of proposals stipulating prime minister's visits to Yasukuni Shrine are unconstitutional

NIHON KEIZAI (Page 2) (Full)
June 14, 2006

A nonpartisan parliamentary group thinking of creating a national war memorial, chaired by Taku Yamasaki, yesterday came up with a set of proposals calling on the government to build a secular memorial. The group points out that with Prime Minister Junichiro Koizumi's visits to Yasukuni Shrine in mind, there are concerns that the visits are unconstitutional. The recommendation also stipulates that the fact that Class-A war criminals are enshrined along with the other war dead has angered neighboring countries.

17) Fukuda supporters nudging him to make his decision to run in LDP presidential race

YOMIURI (Page 4) (Excerpts)
June 14, 2006

Lawmakers close to former Chief Cabinet Secretary Yasuo Fukuda of the Mori faction in the Liberal Democratic Party are perplexed by his elusive attitude about entering the LDP presidential race in

September. Although Fukuda has suggested his eagerness to run in the election through his diplomatic activities, moves of his supporters have been far more inactive than those backing Chief

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Cabinet Secretary Shinzo Abe, who has declared his readiness to seek the LDP presidency. The fence sitters have begun urging Fukuda to make up his mind soon.

Winding up a meeting of the Asian Forum of Parliamentarians on Population and Development, Fukuda returned home from New Zealand yesterday afternoon. He is chair of the forum. As chairman of the Japan-Indonesia Association, Fukuda is also scheduled to visit that country later this month to hold talks with key Indonesian government members.

With Asia diplomacy expected to become a campaign issue, many observers regard Fukuda's activities in that area as his expression of eagerness for the LDP presidency. Although Fukuda has come out second after Abe in various opinion polls, the number of lawmakers supporting him has not increased probably because of his elusive attitude. The situation contrasts sharply with Abe, whose supporters have begun dashing ahead toward the presidential goal.

18) LDP presidential race: Anti-Koizumi, non-Abe support groups impatient with Fukuda's silence

NIHON KEIZAI (Page 2) (Excerpts)
June 14, 2006

There is growing concern in the ruling camp that Yasuo Fukuda has still not said whether he will run in the September Liberal Democratic Party (LDP) presidential election. Forces opposing Prime Minister Junichiro Koizumi aim to tighten the noose around Chief Cabinet Secretary Shinzo Abe, who it is believed would continue the Koizumi policy line. They are concerned that they have yet to choose their own candidate. Some LDP lawmakers are now taking action with an eye on Fukuda not running in the race.

Koichi Kato, who has been critical of Koizumi's Asia diplomacy, said on a TV program recorded yesterday: "It's better to announce early whether he will run or not. I think he will probably do so before the end of this month." He was urging Fukuda to make up his mind. Taku Yamasaki, a longtime ally of Kato, also has made similar remarks.

"Mr. Fukuda has said nothing," Yoshiro Mori, chairman of the largest faction in the LDP, to which both Abe and Fukuda belong, told Shozo Kusakawa, a vice representative of the New Komeito, yesterday at a Tokyo hotel. Mori was complaining that he was unable to divine Fukuda's real intention.

The New Komeito, the LDP's junior coalition partner, also is interested in the LDP leadership race. Since the party has opposed to Koizumi's visits to Yasukuni Shrine, it feels an affinity with Fukuda. It also has hopes for Abe's high popularity when considering next year's House of Councillors election.

Many Mori faction members are worried that if both Abe and Fukuda run in the race, the faction will split. Senior members will soon hold a meeting to discuss the matter.

SCHIEFFER